

## General Fund - Five-Year Financial Forecast

This section addresses the City's ability to meet its capital needs over the five-year planning period. The development of the City's Capital Improvements Program is a process of assessing needs and making choices in relation to a balanced budget and a reasonable forecast of future financial conditions in the City. A forecasting model gives policy makers the ability to test assumptions behind the projections for future reserve balances and future debt capacity.

The projects in the City's Capital Improvements Program (CIP) are paid for either with grants, debt or on a "pay as you go" basis with a combination of operating and reserve funds. The bottom of the Summary Tables in Tabs 3 shows the portions of the CIP that are proposed to be paid for with grants, debt and what portions are planned for "pay as you go". The following table includes General Government, School Board and Transportation Fund CIP.

|                                       | FY2015               | FY2016               | FY2017                | FY2018              | FY2019              | 5 Yr Project Totals   |
|---------------------------------------|----------------------|----------------------|-----------------------|---------------------|---------------------|-----------------------|
| <b>Grant/Other Funded</b>             | <b>\$ 3,165,000</b>  | <b>\$ 1,208,000</b>  | <b>\$ 1,232,000</b>   | <b>\$ 620,000</b>   | <b>\$ 355,000</b>   | <b>\$ 6,580,000</b>   |
| <b>Total Debt Financed</b>            | <b>10,495,000</b>    | <b>10,900,000</b>    | <b>2,148,000</b>      | <b>12,780,000</b>   | <b>5,290,000</b>    | <b>41,613,000</b>     |
| <b>Only if grant/revenue offset</b>   | <b>3,120,000</b>     | <b>3,119,000</b>     | <b>3,425,000</b>      | <b>7,447,000</b>    | <b>4,190,000</b>    | <b>21,301,000</b>     |
| <b>Transportation Reprogramming</b>   | <b>4,623,811</b>     | <b>-</b>             | <b>-</b>              | <b>-</b>            | <b>-</b>            | <b>4,623,811</b>      |
| <b>Library Capital Campaign Fund</b>  | <b>-</b>             | <b>-</b>             | <b>-</b>              | <b>10,000</b>       | <b>10,000</b>       | <b>20,000</b>         |
| <b>School Financing Plan</b>          | <b>-</b>             | <b>99,500,000</b>    | <b>5,560,000</b>      | <b>-</b>            | <b>-</b>            | <b>105,060,000</b>    |
| <b>Total "Pay as you go" Financed</b> | <b>1,180,000</b>     | <b>915,000</b>       | <b>495,000</b>        | <b>820,000</b>      | <b>670,000</b>      | <b>4,080,000</b>      |
| <b>Total Sources</b>                  | <b>\$ 22,583,811</b> | <b>\$ 12,955,290</b> | <b>\$ 103,205,000</b> | <b>\$ 9,148,000</b> | <b>\$ 7,500,000</b> | <b>\$ 183,277,811</b> |

The use of debt and reserve funds is subject to policies previously adopted by the City Council. The following sections will illustrate how this proposed CIP for the five-year period beginning in FY2014 meets those debt and reserve fund policies.

### Section I: Debt

General obligation bonds have been issued throughout the City's history to provide funding for long-term capital improvements. Such bonds are direct obligations of the City, and the full faith and credit of the City are pledged as security. The City is not required by state law to submit

to public referendum for authority to issue general obligation bonds. However, the City Council has established a policy, by resolution, which calls for public referendum on any single project debt issuance that exceeds ten percent of annual general fund expenditures for that year. The most recent bond referendum was held in November 2004, for voter approval of the school bonds that were used for the construction of the Mary Ellen Henderson Middle School.

Annual debt service requirements to maturity for the long-term obligations serviced by the General Fund are summarized as follows:

| Ending<br>June 30 | Governmental Activities |                      |                      |
|-------------------|-------------------------|----------------------|----------------------|
|                   | Principal               | Interest             | Total                |
| 2014              | \$ 3,317,300            | \$ 1,013,541         | \$ 4,330,841         |
| 2015              | 3,422,300               | 1,572,824            | 4,995,124            |
| 2016              | 3,525,000               | 1,431,138            | 4,956,138            |
| 2017              | 3,575,000               | 1,318,813            | 4,893,813            |
| 2018              | 3,715,000               | 1,193,578            | 4,908,578            |
| 2019-2023         | 18,381,666              | 4,322,266            | 22,703,932           |
| 2024-2028         | 9,198,333               | 2,108,691            | 11,307,024           |
| 2029-2032         | 5,240,001               | 874,569              | 6,114,570            |
| Total             | <u>\$ 50,374,600</u>    | <u>\$ 13,835,418</u> | <u>\$ 64,210,018</u> |

Since FY2008, the City issued General Obligation bonds totaling \$68 million to fund various capital expenditures and intergovernmental shared expenditures related to the City's water system and sewer system with the latest one issued in December 2013. The bonds have various maturity dates, with the latest one being July 1, 2033. The City also recently repaid the Water Fund debt with the sale of the water system. The remaining bonds still include bonds that are to be repaid from revenues from the City's sanitary sewer and storm water utilities, therefore, the debt service on those bonds are not counted towards the policy-related ratios.

In addition, bonds have been issued by the City to refund outstanding general obligation bonds when market conditions enabled the City to achieve significant reductions in its debt service payments. The City issued such refunding bonds recently in December 2011 and March 2012.

The chart below shows all the general obligation bonds that are outstanding as of December 31, 2013, excluding Water Fund debt with a total principal of \$15,780,000 as of December 31.

| Bond Description  | Governmental<br>Activities | Business-Type Activities |                   |
|---|----------------------------|--------------------------|-------------------|
|   |                            | Storm Water<br>Fund      | Sewer Fund        |
| \$2,445,000 School Construction bonds issued May 2, 1996 by VPSA; interest at various rates; variable amounts maturing through January 15, 2017.  | \$ 330,000                 | \$ -                     | \$ -              |
| \$32,340,000 School Construction & refunding bonds issued March 18, 2004; interest at various rates; variable amounts maturing through April 1, 2024.   | 1,175,000                  | -                        | -                 |
| \$1,023,000 General Obligation bonds issued January 21, 2005; interest at 3.32% principal amounts maturing annually in equal installments through April 1, 2015.  | 204,600                    | -                        | -                 |
| \$1,935,000 School Construction bonds, issued May 11, 2006 by VPSA; interest at various rates; variable amounts maturing through July 15, 2026.   | 1,235,000                  | -                        | -                 |
| \$6,260,000 Refunding bonds issued March 8, 2007 to partially advance refund 2000 General Obligation bonds; interest at 4.00%; variable amounts maturing through August 1, 2021.  | 4,970,000                  | -                        | -                 |
| \$5,500,000 General Obligation bonds issued June 2, 2011 through the VRA; interest at various rates; variable principal amounts maturing annually through October 1, 2031.  | -                          | -                        | 2,930,000         |
| \$4,100,000 Line of Credit issued on May 13, 2009 to the VRA; interest rate at 3.35%; variable principal amounts maturing semiannually through September 1, 2029.   | -                          | -                        | 3,545,289         |
| \$8,570,000 General Obligations Construction and Refunding bonds issued December 22, 2011; interest at various rates; variable principal amounts maturing annually through January 15, 2032.                                    | 5,550,000                  | -                        | -                 |
| \$3,000,000 Qualified School Construction Bond (QSCB) issued December 15, 2011 through VPSA; interest at 4.25% and reimbursed by the Federal government; variable principal amounts maturing annually through December 1, 2030. | 2,880,000                  | -                        | -                 |
| \$15,300,000 General Obligation refunding bonds issued March 6, 2012; interest at various rates; variable principal amounts maturing annually through August 1, 2024.   | 15,300,000                 | -                        | -                 |
| \$17,620,000 General Obligation bonds issued December 3, 2013; interest at various rates; variable principal amounts maturing annually through July 1, 2033   | 15,890,000                 | 780,000                  | 950,000           |
| Subtotal  | 47,534,600                 | 780,000                  | 6,475,289         |
| <b>Total</b>  |                            |                          | <b>54,789,889</b> |

### *Debt Policies*

The City Council has adopted policies to restrain the use of debt within sustainable limits. A copy of the full text of the City's debt policies is provided at the end of this section. They can be summarized as follows:

- General Fund supported debt shall not exceed five percent of the net assessed valuation of taxable property in the City.
- Annual debt service expenditures for all General Fund supported debt shall not exceed twelve percent of total General Fund and School Board Fund expenditures.
- The term of any bond issue will not exceed the useful life of the capital project, facility or equipment for which the borrowing is intended.

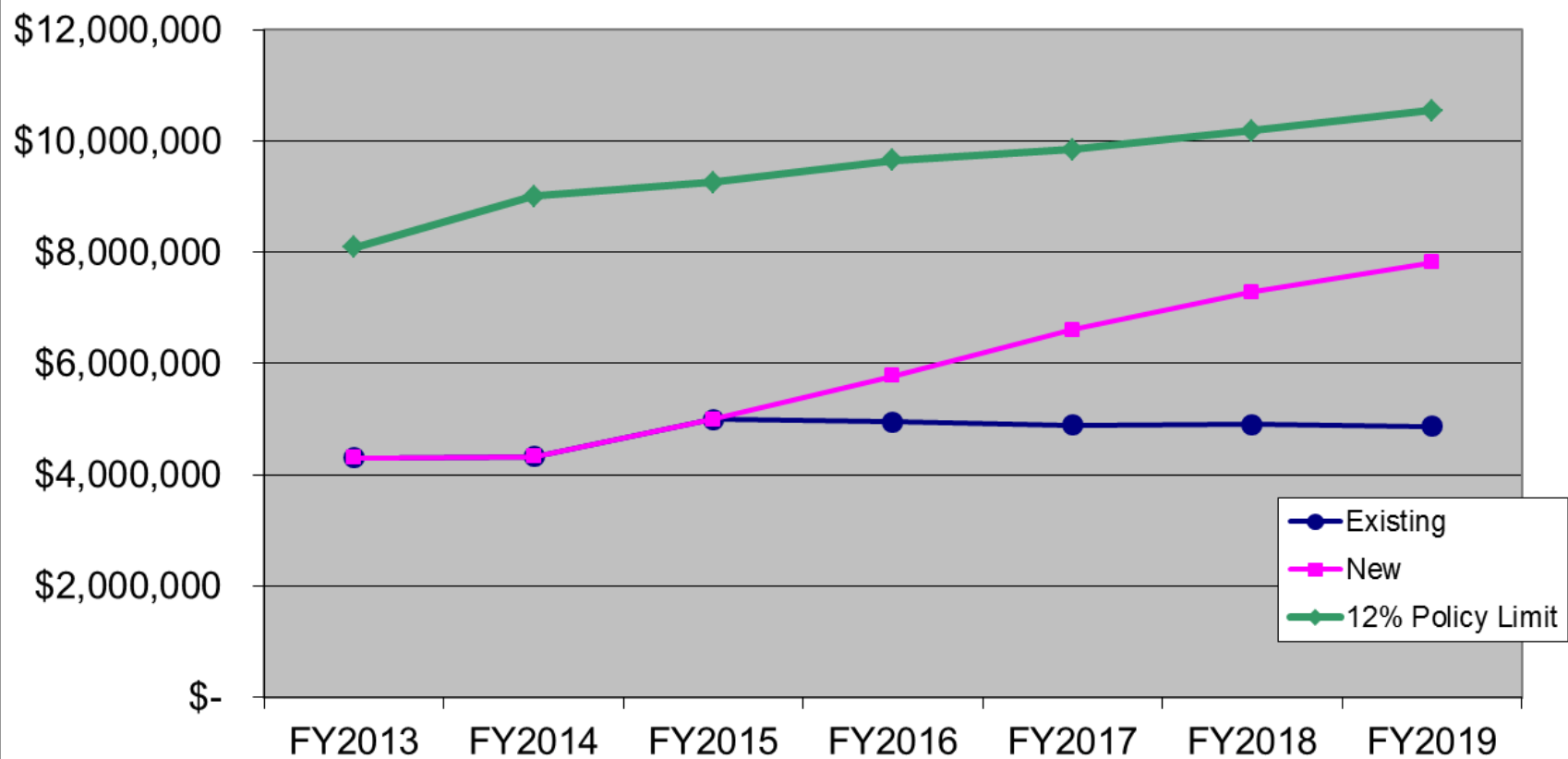
*Ratio of Annual Debt Service Payments to Total General Fund Expenditures*

The second element of the debt limit policy bears closer attention as this ratio goes more directly to the question of how much debt the City can afford.

The chart below illustrates the relationship of debt service payments to total expenditures through FY2019. Expenditures projected are based on a balanced budget based on conservative revenue projections.

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**Debt Service As Percentage of Expenditures  
FY2013-FY2019  
Policy Maximum of 12%**



Here, the upper limit represents the “twelve percent of total General Fund expenditures” policy limit, and the lower line represents projected annual debt service over a six year period. The increase in annual debt service relates to the facility expansion/renovations for general government, schools and library.

It is worth noting that the discussion of “debt capacity” in terms relating strictly to policy guidance does not address the separate issue of affordability within current tax rates.

In summary, the ratio of annual debt service to total General Fund expenditures is a constraint that bears close attention. This ratio is used by bonding rating agencies to assess fiscal health, and must be used by the City to assess the affordability of specific projects and the five-year CIP as a whole. The projects in this FY2014-2019 CIP stay within the City’s policy constraints based on the assumptions used in this forecasting tool.

## **Section II: Reserve Balance Policies (Pay-As-You-Go/PAUG)**

A portion of the City’s CIP projects are funded on a “Pay as you go” basis; the focus for the next five years is in executing previously approved projects. Under this financing option, capital projects are funded by current year revenues or, if available, the use of reserve balances.

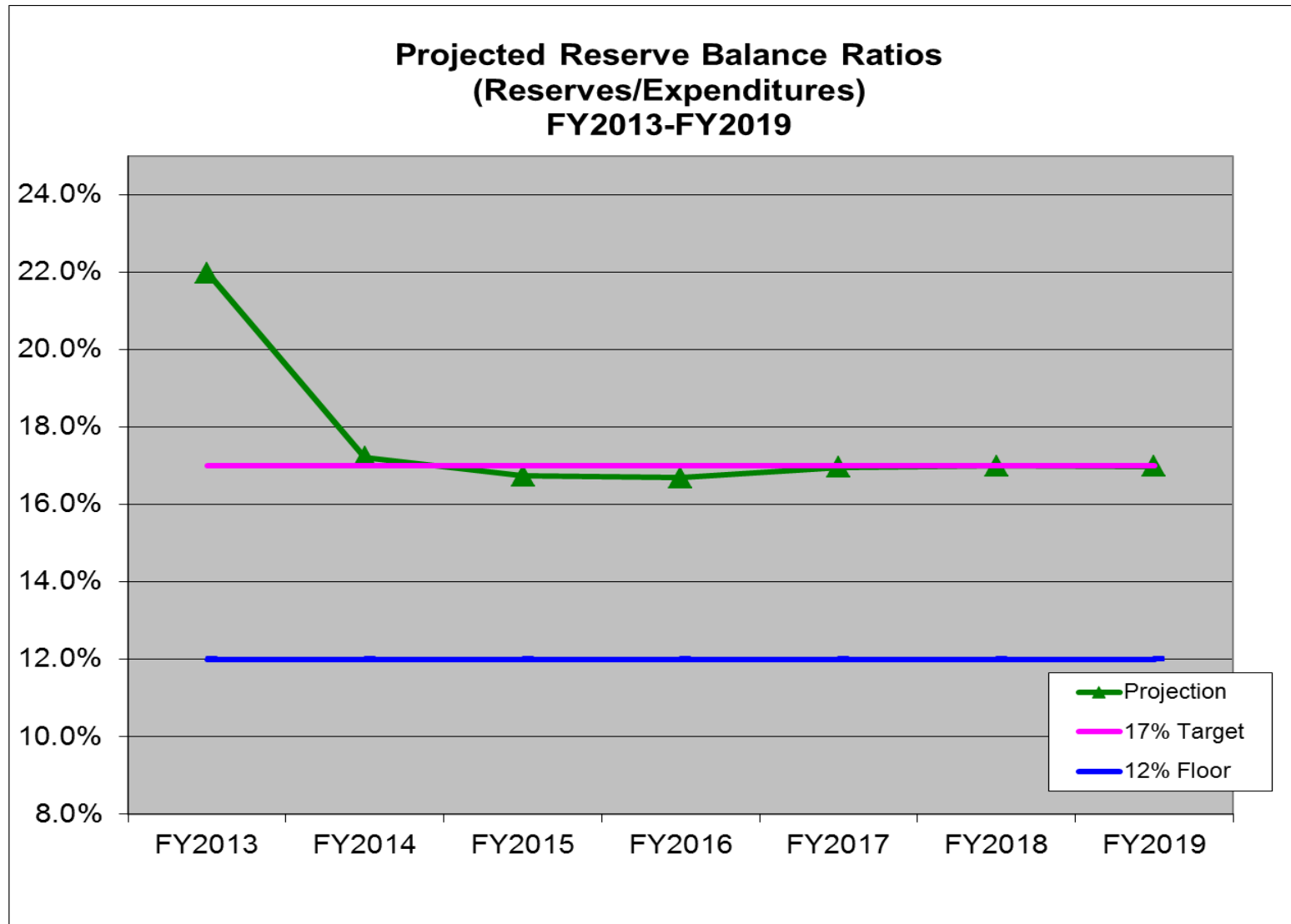
Reserve balances accrue over time based upon the financial policy approved by City Council in December 2011 which is discussed in more detail below.

In December 2011, the City Council adopted a revised Reserve Fund Balance Policy (attached) that sets limits on the minimum size of the reserve balance. This policy also states that reserve funds shall only be used for one-time expenditures, as opposed to recurring expenses. The resolution states:

- The unreserved, undesignated General Fund Balance goal shall be seventeen percent but not less than twelve percent of the actual General Fund expenditures for the then current fiscal year.
- The City shall establish a Capital Reserve Fund at a minimum of 5% of fixed assets or \$3.75 million, whichever is lower. The City shall meet this goal by FY2021 through annual appropriations of \$500,000, and thereafter appropriate no less than \$375,000 per annum to capital reserve. The capital reserve fund balance shall be used to pay for projects in the Capital Improvement Program or for debt service for those projects.
- Forecasting future reserve balances requires assumptions about future operating revenues and expenditures. Key assumptions included in the model used in the charts that follow are:

- dedicated resources for fund balance restoration and CIP projects; and
- the City will have a balanced operating budget every year.

The chart below provides a look at the impact of the proposed CIP on the City's reserve balances.



Here, the line at 17% represents the “seventeen percent of actual General Fund expenditures” policy limit. The other line represents the projected fund balances based on the spending levels contained in this CIP. The data used to develop this chart is contained in the table entitled Five Year Budget Projection and is provided in Tab 3.



**Attachments:**

2011 Financial Policies, adopted  
FY2015 Budget Guidance, adopted

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**RESOLUTION TO ADOPT FISCAL POLICIES  
FOR THE CITY OF FALLS CHURCH**

WHEREAS, the City Council of the City of Falls Church is charged with the ultimate oversight of the fiscal activity of the City government; and

WHEREAS, City Council is resolved to adopt best practices in the prudent exercise of their oversight responsibilities; and

WHEREAS, the City Council has taken significant steps in recent years to restore the City's financial condition and designate funds toward long range capital needs, and over the coming year the Council will continue to consider ways to move further, including consideration of policies that would set a minimum level of effort toward capital spending to ensure that the City schools, facilities, and infrastructure that serve the community are adequately maintained.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Falls Church does hereby adopt a comprehensive set of fiscal policies as follows.

**CITY OF FALLS CHURCH  
FISCAL POLICIES**

**I. PLANNING AND BUDGETING – ALL FUNDS**

**A. Governing Legislation**

The adoption and implementation of the City of Falls Church's (the City) budget shall be governed by Chapter 6 of the City Charter and Chapter 10 of the City Code. This policy shall not override any of the provisions of the Charter and the Code, but rather, shall provide supplemental guidance on the adoption and implementation of the City's budget.

## **B. General**

The City of Falls Church will adopt an annual General Fund budget in which the budgeted revenues and expenditures are equal (a balanced budget). The budget shall clearly delineate the sources of funding for each year's expenditures. Any one-time revenues or use of unassigned fund balance will be used for one-time, non-recurring expenditures such as capital assets, pay-as-you-go projects in the Capital Improvement Program (CIP), equipment, special studies, debt reduction, and reserve contributions. Restricted or committed fund balances may only be used for the purpose so stated.

Each year's budget may include a General Fund Contingent appropriation ("Council Reserve") to cover unforeseen expenditures, new projects initiated after a fiscal year has begun, or revenue shortfalls. Unexpended amounts in this reserve at fiscal year end may be re-appropriated by Council for use in the subsequent fiscal year. Funding may be allocated from this contingent appropriation only by resolution of City Council.

The City will adopt annual Utility Funds budgets in which the budgeted revenues from fees and charges, investment earnings, and operating grants will be sufficient to meet operating expenses and debt service. Availability fees, including availability fees accumulated from previous years, will only be used to offset the costs of providing additional capacity, including debt service on any debt incurred to finance such projects. Any one-time revenues or use of unrestricted net assets will be used for one-time, non-recurring expenses such as capital, equipment, special studies, debt reduction, and reserve contributions. Restricted net assets may only be used for the purpose so stated.

The City will prepare and update annually a five-year Capital Improvement Program (CIP) to be approved by City Council. At the same time, the City Council will adopt an annual budget for the Capital Fund including a resolution to bond projects requiring that source of funding. The CIP will be developed with an analysis of the City's infrastructure and other capital needs, and the financial impact of the debt service required to meet the recommended financing plan.

Except for trust funds, the City will adopt an annual budget for all other funds including the School Board and the Economic Development Authority.

The City Council will adopt all budgets by Ordinance.

### **C. Budget Amendments**

Amendments to any budget that require an increase in revenue and/or expenditure requires an Ordinance to be passed by the City Council.

Transfers of funding between departments, as defined by the City's organization structure, requires a resolution by the City Council. Any transfers to and from the Water Fund and Sewer Fund constitute an increase in each of the Funds' budgets and therefore requires an Ordinance to be passed by the City Council.

Transfers within departments require an approval by the City Manager and by the Chief Financial Officer.

Transfers between capital projects require a resolution by the City Council.

### **D. Funding of Post-Retirement Benefits**

The City will use an actuarially-accepted method of funding its pension system to maintain a fully-funded position. The City's contribution to employee retirement costs will be adjusted annually as necessary to fully fund its actuarially-required contributions (defined as City and employee contributions, if any, that when expressed as a percent of annual covered payroll are sufficient to accumulate assets to pay benefits when due).

The City will use an actuarially-accepted method of funding its other post-employment benefits to maintain a fully-funded position. The extent of the City's *other* post-employment benefits and its contribution to them will be adjusted annually as necessary to fully fund its actuarially-required contribution (defined as City and employee contributions, if any, that when expressed as a percent of annual covered payroll are sufficient to accumulate assets to pay benefits when due).

### **E. Transfers from Utility Funds**

Transfers from the Utility Funds to the General Fund may be done for reimbursement of administrative expenses based on a reasonable method of calculation and payment in lieu of taxes.

## **II. DEBT MANAGEMENT**

### **A. General Fund**

The City of Falls Church will adhere to the following policies whenever the City issues new bonds:

1. Total General Fund supported debt shall not exceed 5% of the net assessed valuation of taxable real estate property in the City.
2. Annual debt service expenditures for all General Fund supported debt shall not exceed twelve percent (12%) of total General Fund operating expenditures, including school board transfer and debt service.
3. The term of any debt issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.
4. The city shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.
5. The City shall comply with all requirements of Title 15.2 Code of Virginia and all other legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.
6. At least 25% of total debt will be repaid within five years and at least 50% of total debt within ten years.
7. Debt shall be defined as bonds, capital leases, lines of credit, and certificates of participation or any other instruments that constitute evidence of indebtedness on the part of the City.

The Council shall put to referendum certain general obligation bonds:

1. Where the aggregate amount of the bond, for the bonded project or portion thereof exceeds ten percent of the General Fund budget for the fiscal year in which the bond(s) are anticipated to be issued.
2. The referendum requirement does not apply to bonds issued for water, sewer, fire, police and medical services projects.

In addition, Article VII of the Constitution of the Commonwealth of Virginia limits the City's debt capacity to not more than 10% of the assessed valuation of taxable real estate property in the City.

## **B. Utility Funds**

The City may issue bonds to fund enterprise activities, such as water and sewer utilities, or for capital projects which will generate a revenue stream.

1. The bonds will be issued only if revenue sources are identified that are sufficient to fund the debt service requirements.
2. Costs of issuance, debt service reserve funds, and capitalized interest may be included in the capital project costs and thus are fully eligible for reimbursement from bond proceeds.
3. Bonds may be issued either as revenue bonds or as City general obligation bonds. In either case, the debt service coverage for the fund supporting the debt shall be at least 105%. Debt service coverage is calculated by dividing operating income by the bonds' total debt service.

## **III.FUND BALANCE AND NET ASSETS**

### **A. General Fund**

Unassigned fund balance is a key element of financial resilience for any municipal organization. An unassigned fund balance at 17% of expenditures represents two months of operating expenditures, and is held in reserve to mitigate the impacts of unanticipated revenue shortfalls, and provide a buffer for unexpected expenditure requirements. Capital reserves, similarly, allow the City to execute a multi year capital plan with a buffer against unforeseen economic events.

The City of Falls Church adopts the following policy for its Unassigned General Fund balance:

1. The goal for unassigned fund balance shall be 17%, but not less than 12%, of the actual General Fund expenditures for the then current Fiscal Year, and these funds shall be appropriated by the City Council.
2. In the event that the unassigned fund balance is used to provide for temporary funding of unforeseen emergency needs or used to mitigate effect of unbudgeted revenue shortfall, the City shall restore the unassigned fund balance to 12% of the actual General Fund expenditures for the then current fiscal year within two fiscal years following the fiscal year within which the event occurred. To the extent additional funds are necessary to restore the unassigned General Fund Balance to 17% of the actual General Fund expenditures for the then current year, such funds shall be accumulated in no more than three approximately equal contributions each fiscal year; this shall provide for full recovery of the targeted fund balance amount within five years following the fiscal year in which the event occurred.
3. The following are other types of fund balance as defined by Governmental Accounting Standards Board (GASB) and should not be included in the calculation of the ratio discussed in item 1:
  - a. Restricted fund balance represents that portion of fund balance that is restricted for a specific future use either by enabling legislation, donor, or bond covenant. This fund balance is required to be used or maintained for the specific purpose so stated.
  - b. Committed fund balance represents fund balance that is committed by the City Council to be used for a specific purpose, such as funds committed to be used for capital projects in the Capital Improvement Project fund. Such commitment may only be reversed by similar action that committed it. Such commitment should be supported by definitive plans approved by the City Council.
  - c. Non-spendable fund balance represents that portion of the fund balance that is not available for future spending such as prepaid items, inventory and long-term notes receivables.
  - d. Assigned fund balance represents amounts that are constrained to be used for specific purpose (such as towards contracts) by either the City Council or the City Manager.
4. The City shall establish a capital reserve fund balance and it shall be a committed fund balance. The balance shall be maintained at 5% of General Fund fixed assets OR \$3,750,000, whichever is lower. The City shall meet this goal by FY2021 through annual appropriations of \$500,000, and thereafter appropriate no less than \$375,000 per annum to

capital reserve. The capital reserve fund balance shall be used to pay for projects in the Capital Improvement Program or for debt service for those projects. The use of this fund balance shall be included in the annual appropriation or in budget amendments passed by the City Council through an Ordinance. The City may go below the minimum balance to fund unforeseen emergency capital needs. In the event that this happens, the City shall restore the required balance within three (3) fiscal years.

## **B. Utility Funds**

It is the City's goal, pursuant to the utility rate studies provided by consultants, to have positive unrestricted net assets for its Utility Funds in its Statement of Net Assets that reflect economic well-being.

1. Unrestricted net assets shall be greater than 25% of total operating expenses at fiscal year-end, to provide reserves for operations and future capital improvements.
2. There will be a restriction of net assets for investment in capital assets, net of related debt, as required by Generally Accepted Accounting Principles.
3. Designation of unrestricted net assets represents plans by management. Such designations should be supported by definitive plans approved either by the City Council or the City Manager.
4. The City shall establish a capital reserve for the Water Fund. The balance shall be maintained at 2% of fixed assets OR \$2,500,000, whichever is lower. The City shall meet this goal by FY2016 through annual appropriations, and thereafter appropriations of \$500,000 per annum. The capital reserve shall be used to pay for projects in the Capital Improvement Program or for debt service for those projects. The use of these funds shall be included in the annual appropriation or in budget amendments passed by the City Council through an Ordinance. The City may go below the minimum balance to fund unforeseen emergency capital needs. In the event that this happens, the City shall restore the required balance within three (3) fiscal years.
5. The City shall establish a capital reserve for the Sewer Fund. The balance shall be maintained at 2% of fixed assets OR \$400,000, whichever is lower. The City shall meet this goal by FY2022 through appropriation of \$50,000 per



annum commencing in FY2014. The capital reserve shall be used to pay for projects in the Capital Improvement Program or for debt service for those projects. The use of these funds shall be included in the annual appropriation or in budget amendments passed by the City Council through an Ordinance. The City may go below the minimum balance to fund unforeseen emergency capital needs. In the event that this happens, the City shall restore the required balance within three (3) fiscal years.

All definitions of “fund balance”, “net assets”, “revenues”, “operating revenues”, “expenditures” and “expenses” shall comply with Government Accounting Standards Board definitions.

#### **IV. FISCAL POLICIES – ADOPTION**

1. The City’s fiscal policies shall be adopted by resolution of the City Council.
2. The fiscal policies shall remain in effect until such time as they are amended or repealed by subsequent Council action, and will be presented to City Council every two years within ninety days of a new Council taking office.

Reading: 12-12-11  
Adoption: 12-12-11  
(TR11-35)

IN WITNESS WHEREOF, the foregoing was adopted by the City Council of the City of Falls Church, Virginia on December 12, 2011 as Resolution 2011-45.



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Kathleen Clarken Buschow  
City Clerk

RESOLUTION PROVIDING GUIDANCE TO THE CITY MANAGER  
ON THE DEVELOPMENT OF THE FY2015 CITY BUDGET

- WHEREAS, the City Council believes it is valuable to provide early guidance to the City Manager on budget development, as he begins working with staff on the putting together recommendations to the City Council in March; and
- WHEREAS, the City Council has received initial projections for revenues and expenditures for the coming fiscal year, as well as for the years FY2016 through FY2020, and has considered these projections in providing budget guidance; and
- WHEREAS, the guidance to the City Manager is intended to provide a framework for budget development, and assist the Manager in putting together recommendations next spring that are aligned with Council expectations based on the preliminary projections; and
- WHEREAS, the City takes tremendous pride in the quality of public input and citizen involvement in the budget process, and the budget process is designed to provide as many opportunities as possible for citizens to exchange information about budget priorities, and this public input will ultimately inform the Council's final budget decisions next spring; and
- WHEREAS, Council expects to have several opportunities to review additional information about budget projections, refine the choices between now and March 10, 2014 when the Manager will present budget recommendations, and may take the opportunity to provide additional guidance as necessary.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Falls Church that the attached FY2015 Budget Guidance Statement is hereby adopted.

Reading: 12-9-13  
Adopted: 12-9-13  
(TR13-41)

IN WITNESS WHEREOF, the foregoing was adopted by the City Council of the City of Falls Church, Virginia on December, 2013 as Resolution 2013-39.



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Kathleen Clarken Buschow  
City Clerk

## **City Council FY2015 Budget Guidance Statement For the City Manager December 09, 2013**

The City Council directs the City Manager to prepare a FY 2015 budget that maintains and supports the City's excellent schools and excellent government services, and adheres to adopted policies on fund balance and debt levels that keep the City on sound and sustainable financial footing. Even in continued tight financial times, the City of Falls Church is committed to providing valuable core services that promote public safety and a high quality of life. To these ends, the City Manager should:

- Review all City government programs and operations to achieve the most cost effective delivery of community services possible, and present alternatives that reduce costs through consolidation of services and programs with other agencies and the school division, mergers, contracting, partnerships, and other means.
- Present a budget in which any increases in revenues for general government expenses are generated solely by economic growth. To the extent that this constraint on expenditures results in negative impacts to programs, equipment replacement, or infrastructure maintenance, information about those impacts should be provided to the City Council with the budget presentation.
  - Using a whole City approach to reducing costs, present options for maintaining a level real estate tax rate.
  - The CIP should be a main focus. Every effort should be made to hold the non-referendum CIP harmless, and required reductions in spending should not come through deferring required maintenance or deferring investment in infrastructure projects in the CIP that would increase City costs in the long run.
- If expenditures significantly exceed revenues and there is a need to reduce or eliminate programs, that in light of the need to undertake these reductions it would be Council's responsibility to select the areas for reduction. In as much as program reductions could represent a change or alteration of the Vision of the City, it is the Council's responsibility.

- Present a budget in which “pay as you go” capital projects, capital reserves, and other identified long term financial obligations are adequately funded.
- Present a budget for operating expenditures that fully considers the spending constraints included in the multi-year financial model reviewed by Council as part of FY14 Budget adoption.
- Present an operating and capital budget that focuses on infrastructure maintenance and improvements.
- Present a capital improvements plan for meeting the City’s critical needs, including general government and school facilities, parks, buildings, transportation, and storm water infrastructure. The CIP should include:
  - local funding for transportation projects matched under the NVT A 30% formula;
  - accurate and realistic cost figures as possible for the City Hall, Library, and School facility improvements.
- Present an operating budget and five year capital financial plan that: a) maintains an unassigned fund balance at the policy target as set by City Council resolution; and b) maintains annual debt service expenditures below policy limits set by Council resolution.
- Multi-year projections: present revenue and expenditure projections for FY16 and more general projections for FY17 through FY19, so that FY15 budget decisions can be assessed in the context of long term sustainability. The multi-year forecasts should include operating costs, City and VRS pension costs, and capital expenditure projections.

- Present a budget that provides a level of employee compensation that is competitive within the regional labor market and sustainable over the long term.
- Present options in the budget for enhanced real estate tax deferral for seniors.
- Present a budget that fully funds City Basic and Police pension plan actuarially required contributions (ARC) as called for in the actuarial report of 2013.
- Present a budget that absorbs the loss of the administrative cost allocation and PILOT from the water fund without an increase in the tax rate.